

Google and the Thumbnail Dilemma—“Fair Use” in German Copyright Law?

FLORIAN PÖTZLBERGER, LL.M.¹

I. INTRODUCTION

*A dilemma is “a choice or a situation involving choice
between equally unsatisfactory alternatives.”²*

Intended to increase the benefits of visual search on the Internet,³ Google’s image search function has indeed been a dilemma. It has not been a dilemma for Google, nor for the Internet community or the public; It has, however, been a dilemma for German copyright law. But why would one say that?

The German statutory model on limitations and exceptions to copyright law currently provides a rather narrow catalogue of specific and exhaustive exemptions. In common legal practice, these exemptions are to be strictly construed.⁴ Due to its narrow scope, the German Copyright Act (UrhG)⁵ often is not capable of dealing with

¹ This article was written at Chicago-Kent College of Law during the fall term of 2011 within a graduate seminar in “International Intellectual Property.” Many thanks to Prof. Edward Lee and Prof. Grant Shackelford for the great support throughout the semester and all their helpful comments and suggestions.

² WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY OF THE ENGLISH LANGUAGE UNABRIDGED, 633 (1961).

³ Andrew Zipern, *NEWS WATCH; A Quick Way to Search for Images on the Web*, N.Y. TIMES, July 12, 2001, <http://www.nytimes.com/2001/07/12/technology/news-watch-a-quick-way-to-search-for-images-on-the-web.html>.

⁴ See *infra* Part II.B.1 for more details.

⁵ *Gesetz über Urheberrecht und verwandte Schutzrechte* [Copyright Act] Sept. 9, 1965, BGBl, p. 1273 (Ger.).

new evolving technologies, even though the defense of an infringement claim seems reasonable. One major issue controversially discussed is whether the creation and display of thumbnails⁶ in the image search result list of a search engine infringes upon the rights of copyright owners.

Several German courts have addressed this issue over the years.⁷ There has been mutual assent that Google's use of thumbnails does in fact constitute copyright infringement.⁸ However, the crucial question that German courts have repeatedly dealt with is whether Google's use could have been justified by any statutory exemption or, alternatively, if there had in fact been implied consent to the third parties' use by the copyright owners publishing their work on the Internet.⁹ Whereas U.S. courts apply the fair use doctrine, codified in 17 U.S.C. § 107, in such cases¹⁰ this article will show that neither of the currently applicable German solutions will work on a long-term basis.

Until the highly anticipated decision of Germany's Federal Court of Justice in 2010,¹¹ the question of whether the implied consent doctrine can be applied in cases involving the display of thumbnails by web search engines had not been answered uniformly.¹² However, the basic question to be addressed in this article is of a different nature: why is the application of the implied consent doctrine even necessary? It will become obvious that the statutory framework of the German Copyright Act is not flexible enough to properly deal with modern technology like Google's image search. So far, each of the offered solutions has been equally unsatisfactory. It has been a dilemma.

⁶ As to an explanation of the term, see *Perfect 10, Inc. v. Google, Inc.*, 416 F. Supp. 2d 828, 832 (C.D. Cal. 2006).

⁷ Regional Court of Hamburg, CR, 855 (2004); Regional Court of Hamburg, CR, 196 (2007); Regional Court of Bielefeld, CR, 350 (2006); Regional Court of Erfurt, CR, 391 (2007); Higher Regional Court of Jena, MMR, 408 (2008).

⁸ *Id.*

⁹ Stephan Ott, *Search Engine Law Article: Green Light for Search Engines to Use Thumbnail Images?*, available at <http://www.linksandlaw.com/news-update53-legality-thumbnails.htm> (last visited on March 8, 2013).

¹⁰ See *infra* Part II.A.2.

¹¹ Federal Court of Justice, *Abbildung von Kunstwerken als Thumbnails in Suchmaschine* [Display of Works of Art as Thumbnails in Search Engine], GRUR, 628 (2010) [Ger].

¹² See, e.g., Manuel Kleinemenke, *Anmerkung zu LG Hamburg: Urheberrechtswidrige Google Bildersuche* [Comment on LG Hamburg: Breach of Copyright Law through Google Image Search], 55, CR (2009).

This article proposes the implementation of a civil law styled, open-ended standard similar to the U.S. “fair use” test in Germany. It will endeavor to improve former scholarly suggestions¹³ through balancing the interests of copyright owners and the public benefit resulting from the use of the copyright owners’ works. To reach this goal, the implementation of a fair remuneration clause is suggested.

Part II of this article will provide an overview of the controversy of whether infringement claims due to the use of thumbnails of copyrighted works can be defended and how. It will illustrate the solutions found by courts in Germany and the U.S. The first part will focus explicitly on the decision of Germany’s Federal Court of Justice and its implied consent approach.¹⁴ It will demonstrate that though the Court’s decision is reasonable on the basis of the current statutory limitations and exceptions provided by the German Copyright Act, the solution delivered cannot be seen as a final one. Part III of the paper will put forth a proposal for a potential legislative solution in Germany, adopting the benefits of the current approaches in Germany and the U.S. However, the statutory provision proposed is not limited to solving only the thumbnail issue; it is this article’s goal to propose a rational defense mechanism that embraces the rapid technological development of the digital age. Part IV will address potential criticisms to the proposed provision and hence attempt to provide further support for the arguments being made.

II. EVALUATION OF *VORSCHAUBILDER*: STRENGTHS AND WEAKNESSES OF GERMANY’S FEDERAL COURT OF JUSTICE’S IMPLIED CONSENT APPROACH

Image web search has been the subject of different legal proceedings in the U.S. and is the main issue that the Federal Court of Justice in Germany faced in 2010.¹⁵ The 2010 Federal Court of Justice decision was the first to be issued by a national Supreme Court

¹³ See, e.g., Matthias Leistner, *The German Federal Supreme Court’s Judgment on Google’s Image Search—A Topical Example of the “Limitations” of the European Approach to Exceptions and Limitations*, IIC, 417 (2011); Kleinemenke, *supra* note 12; Thomas Hoeren, *Urheberrecht 2000 – Thesen für eine Reform des Urheberrechts* [Copyright 2000—Theses for a Reform of Copyright Law], MMR, 3, 4 (2000) [Ger].

¹⁴ Federal Court of Justice, *supra* note 11.

¹⁵ *Id.*

regarding the thumbnail problem.¹⁶ This rather recent development raises the opportunity of a critical comparative analysis of the current debate. As elaborated upon below, contrary to the current situation in the U.S., the narrow scope of limitations to copyright in German law lacks a sufficient amount of statutory flexibility.

A. Image Web Search amongst Copyright Infringement and Public Benefit: Solutions in U.S. Copyright Law

A brief overview of the technological processes behind Google's image search and an analysis of the U.S. fair use defense will help illustrate the current problems of the statutory framework in Germany. In the U.S., the Ninth Circuit considered whether the use of thumbnails constituted fair use in two decisions, one in 2003¹⁷ and one in 2007.¹⁸ Both cases demonstrated that U.S. copyright law offers a reasonable and flexible solution for dealing with evolving technologies.

1. Google's Image Web Search

Google operates a variety of different text-based search functions, including a service for image search on the Internet called Google Image Search.¹⁹ The program matches the entered terms with an index database stored on Google's servers and sends the images identified by the query back to the user.²⁰ Since the program cannot index the original images, it converts and saves the images in a reduced-size version of the original image: a thumbnail.²¹ After created and stored, the thumbnails are displayed in the search engine's result list.²²

¹⁶ See *supra* Part I.

¹⁷ *Kelly v. Arriba Soft Corp.*, 336 F.3d 811 (9th Cir. 2003).

¹⁸ *Perfect 10, Inc. v. Google, Inc.*, 508 F.3d 1146 (9th Cir. 2007).

¹⁹ See GOOGLE IMAGES – WIKIPEDIA, THE FREE ENCYCLOPEDIA, http://en.wikipedia.org/wiki/Google_Images (last visited on January 28, 2013).

²⁰ *Perfect 10*, 508 F.3d at 1155.

²¹ *Id.*

²² Leistner, *supra* note 13, at 419.

On its website, Google offers instructions on how to block some or even all images appearing on certain user's websites. Users add a robots.txt file to the root of the server, blocking the image and specifying the user-agent of their websites as "Googlebot-Image."²³ The software Google uses for operating its search, called "web crawlers,"²⁴ will recognize this specification and the blocked images will be excluded from the search, including Mobile Image Search.²⁵

2. Fair Use & Four Factors According to U.S. Copyright Law

The U.S. Copyright Act of 1976 provides fair use as a defense to copyright infringement in § 107. According to the Act, a use of a copyrighted work, although infringing, will not be subject to liability under certain circumstances.²⁶ To determine whether a use can qualify as fair use, U.S. courts apply a four-factor test that results in a broad limitation to the copyright owner's exclusive rights.

According to 17 U.S.C. § 107, the court's decision shall inter alia depend on

(1) the purpose and the character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and the substantiality of the portion used in relation to the copyrighted work as a whole; and, (4) the effect of the use upon the potential market for or value of the copyrighted work.²⁷

²³ PREVENT YOUR IMAGES FROM APPEARING IN GOOGLE SEARCH RESULTS – WEBMASTER TOOLS HELP, <http://support.google.com/webmasters/bin/answer.py?hl=en&hlrm=de&answer=35308> (last visited on March 8, 2013).

²⁴ See *Perfect 10, Inc. v. Google, Inc.*, 416 F. Supp. 2d 828, 832 (C.D. Cal. 2006).

²⁵ PREVENT YOUR IMAGES FROM APPEARING IN GOOGLE SEARCH RESULTS – WEBMASTER TOOLS HELP, *supra* note 23.

²⁶ 17 U.S.C. § 107 (2012).

²⁷ For a more detailed discussion of the four factors, see STANFORD COPYRIGHT & FAIR USE – MEASURING FAIR USE: THE FOUR FACTORS, http://fairuse.stanford.edu/Copyright_and_Fair_Use_Overview/chapter9/9-b.html (last visited on March 8, 2013).

The four factors are guidelines for the decision of the court.²⁸ They are not exclusive in scope, but usually courts will follow a clear structure in applying them. Although the factors²⁹ set down certain ground rules, the wording is built to give the courts discretion in interpreting the provision.³⁰

In *Perfect 10, Inc. v. Google*,³¹ the Ninth Circuit considered whether Google's use of thumbnails of Perfect 10's images of nude models displayed on its website would qualify as statutory fair use. For its analysis of the four-factor test, the court was guided by its decision in *Kelly v. Arriba Soft, Corp.*,³² in which it granted a fair use defense to a search engine operator displaying thumbnails of a photographer's images.

In applying the first factor of the "fair use" test,³³ the purpose and the character of the use, the court held that "the transformative nature of Google's use is more significant than any incidental superseding use or the minor commercial aspects of Google's search engine and website."³⁴ On the contrary, factor two, the nature of the copyrighted work, was weighed just slightly in favor of Perfect 10.³⁵ The court reasoned that since it already had commercially exploited the images, Perfect 10 was no longer entitled to the extended protection of an unpublished work.³⁶ In affirming its analysis in *Kelly*, the court stated that factor three was not to weigh in favor of any of the parties, since it was only reasonable for a search engine to use an entire image.³⁷

²⁸ *Id.*

²⁹ 17 U.S.C. § 107 (2012).

³⁰ STANFORD COPYRIGHT & FAIR USE – MEASURING FAIR USE: THE FOUR FACTORS, *supra* note 27.

³¹ *Perfect 10, Inc. v. Google, Inc.*, 508 F.3d 1146 (9th Cir. 2007).

³² *Kelly v. Arriba Soft Corp.*, 336 F.3d 811 (9th Cir. 2003).

³³ For an overview on the essence of the doctrine of fair use, see WHAT IS FAIR USE? – COLUMBIA COPYRIGHT ADVISORY OFFICE, <http://copyright.columbia.edu/copyright/fair-use/what-is-fair-use> (last visited on March 8, 2013).

³⁴ *Perfect 10*, 508 F.3d at 1167.

³⁵ *Id.*

³⁶ *Id.*

³⁷ *Id.* at 1168.

Factor four of the test considers the effect of the use upon the potential market for or value of the copyrighted work. Contrary to the facts in *Kelly*, Perfect 10 itself offered reduced-size images of its copyrighted photographs for cell phone use. Perfect 10 argued that the display of thumbnails in Google's search result list would therefore be likely to cause economic harm to its own market. Due to Google's commercial use of the images, such harm would have to be presumed.³⁸ The court, however, rejected this argument and stated that no market harm can be presumed due to the fact that Google's use was "highly transformative."³⁹ Relying on the district court's findings that there was no proof that Google users actually ever downloaded any thumbnails of Perfect 10's images for use on their cell phones, the court found that any potential harm would only remain hypothetical.⁴⁰ Hence, the court eventually held⁴¹ that Google was likely to succeed on its fair use defense and vacated the preliminary injunction as to the thumbnail claim.⁴²

With its decision, the Ninth Circuit affirmed an important precedent calling for a flexible application of "fair use." In citing *Campbell v. Acuff-Rose Music, Inc.*⁴³ and *Sony Corp. of America v. Universal City Studios, Inc.*,⁴⁴ the court emphasized that it had been reminded by the Supreme Court "to be mindful of the extent to which a use promotes the purposes of copyright and serves the interests of the public."⁴⁵ Google's service undoubtedly offers a high public benefit by enhancing and simplifying the flow of information on the Internet.⁴⁶ The four-factor test embraces this fact by providing a

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ Perfect 10 also sought for injunctive relief due to copyright infringement claims for framing and hyperlinking to its images in Google's Internet search results. However, this part of decision shall not be subject of this paper.

⁴² *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1168 (9th Cir. 2007).

⁴³ *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 114 S. Ct. 1164 (1994).

⁴⁴ *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 104 S. Ct. 774 (1984).

⁴⁵ *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d at 1166.

flexible defense mechanism to infringement claims. The U.S. Copyright Act offers a statutory solution, which is capable of reaching reasonable results. The broad standard of “fair use” and its discretionary application allows the courts to serve the purpose of U.S. copyright law while also considering the public interest to a sustainable degree.

B. Germany’s Federal Court of Justice: Implied Consent Approach

Contrary to the U.S. Copyright Act, the German code does not yet contain a broad and flexible exemption applicable to uses with high public benefit, if such use is not explicitly allowed under the statute. Hence, it has been necessary for courts to apply legal fictions derived from general civil law to deal with issues that are not addressed by the exemptions provided. In 2010, the Federal Court of Justice resolved the thumbnail issue by an approach based on implied consent.⁴⁷

1. Statutory Framework of the German Copyright Act: Limitations & Exceptions

The German Copyright Act provides an enumerative catalogue of limitations and exceptions from the exclusive rights granted to the copyright owner,⁴⁸ and thus it significantly differs from the U.S. Code. Generally, the exemptions aim to balance the interests of the copyright owner on the one hand, and the general public on the other. The balancing of these rights can be considered one of the most important principles of German copyright law.⁴⁹

Although new tendencies seem to lead to a more extensive interpretation of the exemptions, the boundaries of the basic principle to narrowly construe the respective provisions have to be respected at all times.⁵⁰ If the scope of the exemptions is not broad enough, it is the

⁴⁶ Eugene Goryunov, *All Rights Reserved: Does Google’s “Image Search” Infringe Vested Exclusive Rights Granted Under the Copyright Law?*, 41 J. MARSHALL L. REV. 487, 488 (2008).

⁴⁷ Federal Court of Justice, *supra* note 11.

⁴⁸ See §§ 44a-63 UrhG.

⁴⁹ Thomas Dreier & Gernot Schulze, *UrhG* [Copyright Act], Einleitung [Introduction], para. 39, (2008)[Ger].

⁵⁰ *Id.* at 7.

legislator's task to find a solution.⁵¹ Unlike common law countries, like the United Kingdom⁵² or Canada,⁵³ where there exists a broad fair dealing exemption similar to 17 U.S.C. § 107, most civil law copyright codes provide an enumerative catalogue of limitations and exceptions.⁵⁴

If so ordered by the statute, some of the exemptions provided ultimately set the obligation to fairly compensate the copyright owner in order to guarantee a fair balance of their rights and the rights of the excused user.⁵⁵ As specified in § 54h UrhG, some of the statutory remuneration fees shall only be collected by a collecting society. This leads to a stronger position for the individual right holders and a simplification of any administrative procedure.⁵⁶

2. *The Federal Court of Justice's Holding of Implied Consent*

In the 2010 case before the Federal Court of Justice, the appellant,⁵⁷ an artist in the field of the visual arts, claimed that Google infringed her copyright by displaying thumbnails of her works in its hit result list. The Court held that any publication of thumbnails constitutes copyright infringement pursuant to § 19a UrhG.⁵⁸ The Court affirmed the Appellate Court's analysis that there was no statutory exemption applicable that could justify Google's actions.⁵⁹

⁵¹ *Id.*

⁵² See INTELLECTUAL PROPERTY OFFICE – PERMITTED USES OF COPYRIGHTED WORKS – FAIR DEALING, <http://www.ipo.gov.uk/types/copy/c-other/c-exception/c-exception-review/c-exception-fairdealing.html> (last visited on March 8, 2013).

⁵³ See COPYRIGHT GUIDE – HELP & INSTRUCTION – CONCORDIA LIBRARIES, <http://library.concordia.ca/help/copyright/?guid=fairdealing> (last visited on March 8, 2013).

⁵⁴ See generally Ott, *supra* note 8.

⁵⁵ See also Thomas Dreier, *Limitations: The Centerpiece of Copyrights in Distress*, JIPITEC, 50, 51 (2010).

⁵⁶ See Thomas Dreier & Gernot Schulze, *supra* note 49, *Einleitung* [Introduction], para. 14.

⁵⁷ See the Appellate Court's decision: Higher Regional Court of Jena, MMR, 408 (2008).

⁵⁸ Federal Court of Justice, *supra* note 11.

⁵⁹ *Id.* at 630-32; Leistner, *supra* note 13, at 424-27.

However, based on the underlying facts but contrary to the Appellate Court's analysis, the Court stated that any kind of infringement could be justified where the copyright owner consents to the conduct that constitutes the infringement ("*Schlichte Einwilligung*").⁶⁰ According to the general German doctrine on legal transactions and negotiations ("*Rechtsgeschäftslehre*"), consent in such cases does not necessarily require explicit declaration of will and has to be interpreted from the perspective of an objective viewer.⁶¹ The Court concluded that the uploading of images on the Internet, without taking any technical restrictions to block the image search function, would—from an objective viewer's perspective—constitute implied consent in the use of these works.⁶² In citing one of its own decisions of 2007,⁶³ the Court stated that under such circumstances right holders had to face the commonly accepted use,⁶⁴ regardless of the appellant's understanding of what was common.⁶⁵ Any implied consent could have been withdrawn only by actually taking the addressed technological steps;⁶⁶ a mere objection to the future use of her work towards Google would not have been sufficient.

By taking into consideration the fact that it was easier and more cost-efficient for the copyright owner to implement technological protection of their work rather than the search engine operator, the Court found that it was reasonable for the right holder to arrange the addressed technological restrictions.⁶⁷ Eventually the Court held that the appellant impliedly consented to Google's use of her copyrighted

⁶⁰ Federal Court of Justice, *supra* note 11, at 632. Before applying the implied consent doctrine to the action of uploading itself the Court held that there has not been any implied consent in granting exploitation rights pursuant to Sec. 31 et seqq. UrhG. *Id.*

⁶¹ *Id.* at 632.

⁶² *Id.*

⁶³ Federal Court of Justice, *Keine Urheberrechtsvergütung für Drucker* [No Copyright Fees for Printer], GRUR, 245 (2008) [Ger].

⁶⁴ Federal Court of Justice, *supra* note 11, at 632.

⁶⁵ Federal Court of Justice, *supra* note 11, at 632; *See also* Matthias Leistner & Felix Stang, *Die Bildersuche im Internet aus urheberrechtlicher Sicht* [Image Search on the Internet in Terms of Copyright Law], CR, 499, 504 et seq. (2008) [Ger].

⁶⁶ Federal Court of Justice, *supra* note 11, at 632.

⁶⁷ *Id.*

works as thumbnails in its search results and dismissed the infringement claim.⁶⁸

C. Criticisms of the Implied Consent Approach

The implied consent approach of the Federal Court of Justice cannot be seen as a final solution, because it is not capable of serving the purposes of German copyright law in the long run.⁶⁹ Several comments⁷⁰ on the analyzed decision comply with this thesis. The decision cannot be seen as a precedential mechanism, but it is rather the legislature that needs to be active.

1. Implied Consent – A Makeshift Solution

Due to the statutory framing and the Court's prevailing case law on the interpretation of exceptions and limitations,⁷¹ the application of an implied consent approach seems to be somewhat of a makeshift solution.⁷² The Court itself states that the exemptions within the Copyright Act are not only exclusive, but also have to be strictly interpreted, since they deviate from the general principle of the exclusiveness of copyrights.⁷³ Since no exemption was applicable, The Federal Court of Justice eventually applied the doctrine of implied

⁶⁸ Federal Court of Justice, *supra* note 11, at 631.

⁶⁹ See *supra* Part II.B.1.

⁷⁰ See Leistner, *supra* note 13, 417; see also Gerald Spindler, *Bildersuchmaschinen, Schranken und konkludente Einwilligung im Urheberrecht – Besprechung der BGH-Entscheidung „Vorschaubilder“* [Image Search Engines, Limitations & Exceptions and Implied Consent in Copyright Law – Comment on the Decision of the Federal Court of Justice “Preview Images”], GRUR, 785, 791 (2010)[Ger]; Conrad, Albrecht, Anmerkung zu BGH, Urteil vom 29. April 2010 – BGH 29.04.2010 Aktenzeichen I ZR 69/08 – Vorschaubilder [Comment on the Decision of The Federal Court of Justice of 29 April 2010 – BGH 04/29/2010 File Number I ZR 69/08 - Thumbnails], ZUM, 585 (2010)[Ger]; Horst-Peter Götting, BGH: Urheberrechtliche Zulässigkeit von Vorschaubildern in der Trefferliste von Suchmaschine – Vorschaubilder [Federal Court of Justice: Copyright Compliance of Thumbnails in Search Engine Result Lists - Thumbnails], LMK, 309245 (2010) [Ger].

⁷¹ See generally Federal Court of Justice, GRUR, 800, 802 (1994); Federal Court of Justice, GRUR, 45, 47 (1994).

⁷² See Leistner, *supra* note 13, at 430.

⁷³ Federal Court of Justice, *supra* note 11, at 630.

consent as the last option available. Generally, legal scholars have proposed the validity of such a solution in the past;⁷⁴ former case law has also considered it.⁷⁵

When there is no statutory exemption available, but a use seems like it should be excused, German courts seem to be able to bypass the rather narrow scope of exemptions by applying the implied consent doctrine. Hence, this approach appears to be a necessary makeshift solution that is legally acceptable, but not foreseen by the law. Although these legal margins should be used until a statutory solution is provided,⁷⁶ legislative action is still necessary.

Moreover, the Federal Court of Justice's implied consent approach is in fact inconsistent with its own precedents in strictly interpreting the limitations and exceptions. If the Court on the one hand requires applying a narrow scope of application, it should not extend infringement defense mechanisms by applying general legal theories. It is generally undesirable that courts assumedly have to adopt makeshift solutions to reach the designated outcome of a case, because broadening the scope of any analyzed exemptions is inconsistent with the general attitude of copyright law. This, in fact, shows discrepancy with the true legal goals sought to be acquired.

2. Preventing Infringement – Burden of the Copyright Owner?

Furthermore, the Court's determination that it might be more reasonable for right holders to take technological restrictions in order to withdraw any implied consent seems to reverse some very basic principles of German copyright law. Should it really be the burden of copyright owners to prevent someone else from infringing their copyright? Should this be true when no exemption of the exhaustive catalogue of the statute can be applied?

⁷⁴ See Leistner & Stang, *supra* note 65, at 499, 504 et seq.; Kleinemenke, *supra* note 12, at 56.

⁷⁵ See Regional Court of Hamburg, CR, 855 (2004); Regional Court of Hamburg, CR, 196 (2007); Regional Court of Bielefeld, CR, 350 (2006); Regional Court of Erfurt, CR, 391 (2007); Higher Regional Court of Jena, MMR, 408 (2008).

⁷⁶ Axel Metzger, *Urheberrechtsschranken in der Wissensgesellschaft: „Fair Use“ oder Enge Einzeltatbestände?* [Limitations & Exceptions of Copyright Law in a Knowledge-Based Society: “Fair Use” or Narrow-Scoped Individual Exemptions?], in MATTHIAS LEISTNER (HRSG.), *EUROPÄISCHE PERSPEKTIVEN DES GEISTIGEN EIGENTUMS*, TÜBINGEN, p. 25. (2010) [Ger].

Whether or not such approach might seem understandable from both an economic and efficiency perspective⁷⁷ is irrelevant; the burden of preventing infringement should not be drawn on the side of the right holder. Such a concept contradicts the rationale of the exclusiveness of copyrights, because it is one of the basic principles of German copyright law that there should not be any publication without the right holder's approval.⁷⁸ The assumption of implied consent bypasses this rationale and discounts the fact that the catalogue of exemptions is exhaustive.

Implied consent should not be assumed only because of the fact that the right holder uses the medium of the Internet without any technological constrictions blocking search engine operations. The lack of technological possibilities on how to control image web search by its operator may not lie at the expense of the right holder. This would de facto lead to an obligation of the copyright owner to prevent search engines from infringing their copyrights in some cases. Such an approach disarranges the strong position of the right holder foreseen by German copyright law.⁷⁹ Hence, the situation *de lege lata* may not be satisfying in the long run.

3. Granting Adequate Compensation

Fair compensation of the right holder is not possible when applying the implied consent approach. Any fair remuneration has to be either negotiated by the parties or foreseen by the statute.⁸⁰ Given the fact that Germany is a civil law country, primarily relying on statutes, the courts cannot simply grant compensation or damages without referring to any statutory groundwork for such claims.⁸¹

⁷⁷ Leistner, *supra* note 13, at 430.

⁷⁸ Paul Schrader & Birthe Rauthenstrauch, *Urheberrechtliche Verwertung von Bildern durch Anzeige von Vorschaubildern (sog. „thumbnails“) bei Internetsuchmaschinen* [Exploitation of Images by Displaying Preview Images (so called “Thumbnails”) by Internet Search Engines in Terms of Copyright Law], UFITA, 1, 21 (2007)[Ger].

⁷⁹ See Schrader & Rauthenstrauch, *supra* note 78 (offering a similar reasoning as to exploitation rights/licenses).

⁸⁰ See *supra* Part II.B.1.

⁸¹ See Art. 20(3) GG [Grundgesetz für die Bundesrepublik Deutschland], [Basic Law], May 23, 1949, BGBl. p. 1 (Ger.).

However, since Google's offer of services is linked to maximize its variety of search results, displaying as many images as possible might increase the economic value of the company⁸² and thus, Google benefits from the usage of the copyrighted works. Given these circumstances, a fair remuneration seems reasonable. The remuneration payment ensures that the author will receive a fair and reasonable share of the economic profits derived from the usage of his work.⁸³ Due to the fact that right holders are not able to reconstruct which usage actually took place, licensing of their rights is not possible.⁸⁴ The implied consent approach does not allow any consideration of whether compensation seems reasonable under the particular circumstances at all.⁸⁵ In order to serve the purpose of the statute,⁸⁶ and ensure a reasonable balance of the rights involved, it is necessary to provide a statutory basis for fair remuneration.

III. A GERMAN "FAIR USE PROVISION": ADOPTING THE BEST OUT OF TWO LEGAL SYSTEMS

To loosen up the narrow catalogue of exemptions provided by the German code, there is a strong need for a statutory provision similar to U.S. fair use. Some scholars have suggested fair use solutions for Europe based on the three-step test in Article 13 of the TRIPS Agreement.⁸⁷ Others have proposed a genuine factor-based fair use provision for Europe.⁸⁸ This article proposes to match the legal figure of "fair use" with the style of Germany's legal system.

⁸² Leistner, *supra* note 13, at 431.

⁸³ See Dreier & Schulze, *supra* note 49, § 1, para. 2.

⁸⁴ Leistner, *supra* note 13, at 431.

⁸⁵ Leistner, *supra* note 13, at 431, 432; Dreier, *supra* note 55, at 51. Since the implied consent doctrine is a general legal fiction developed by German courts, a statutory order is missing on which the claim could be based on.

⁸⁶ See *supra* Part II.B.1.

⁸⁷ Leistner, *supra* note 13; Kleinemenke, *supra* note 12; Metzger, *supra* note 76; Martin Senftleben, *The International Three-Step Test: A Model Provision for EC Fair Use Legislation*, 1 JIPITEC 67, para. 46 et seq. (2010).

⁸⁸ Jonathan Griffiths, „Unsticking the Center-piece – The Liberation of European Copyright Law?“, 1 JIPITEC 87, para. 35; see Leistner, *supra* note 13, at 417, 435; Hoeren, *supra* note 13, at 5.

A. Proposal of a German Statutory Solution: Fair Use + Fair Remuneration

To ensure the necessary flexibility of the statute and a reasonable balance of the involved rights, this article proposes a broad provision granting fair use in exchange for an adequate remuneration to the aggrieved copyright owners. To reach the desired goals, the provision's consistency with the current statutory framework is as important as the minimum amount of legal certainty.

1. Draft of a German "Fair Use" Provision

In order to guarantee enough flexibility, the proposed provision is of broader character than the exemptions currently existing, but is worded in compliance with the German legislative style. Thus, the proposed provision would fit in Chapter 6 of the Copyright Act, where all of the limitations to copyright can be found.⁸⁹ A draft of the clause could look like the following:

Uses With High Public Benefit

- (1) Permissible shall be any fair use of a copyrighted work, which provides a high public benefit.*
- (2) The determination whether the use of a copyrighted work was permissible shall be in the discretion of the court.*
- (3) The determination shall include, but is not limited to the character of the use, its amount and substantiality and the effect of the use upon the value of the copyrighted work.*
- (4) If it seems reasonable under the circumstances of the particular case, a fair and adequate remuneration shall be paid to the owner of the copyrighted work in return for the permissible use according to subsection 1. The rules set down in § 32 (1) S. 2 UrhG and § 54a UrhG shall apply accordingly.⁹⁰*

⁸⁹ §§ 44a-63 UrhG.

⁹⁰ Section 54(1) UrhG states that remuneration claims according to §§ 54a-c, 54e(2), as well as § 54f and § 54g shall be administered by a collecting society. Hence, § 54 UrhG shall be amended as to the extent that it includes the statutory provision proposed in this article. Due to the fact that modern technology will affect a multitude of copyright owners (especially if it is related to the Internet), the administration by a collecting society is necessary primarily for practical matters; see also Leistner, *supra* note 13, at 442.

2. *Elements Drawing From U.S. Fair Use*

In order to achieve the highest possible effectiveness, the draft of the German provision contains elements drawn from 17 U.S.C. § 107, but additionally it implements differences and improvements. The following part of the paper will discuss and explain which elements are derived from the U.S. approach, and why some other elements have been adjusted or even totally omitted for the provision proposed in this article.

a. *Elements Based on the U.S. Approach*

The provision proposed in this paper explicitly names three of the four factors in 17 U.S.C. § 107 in a somewhat modified version.⁹¹ According to subsection 3 of the provision, the decision of the courts shall particularly depend on (1) the character of the use; (2) its amount and substantiality; and (3) the effect of the use upon the value of the copyrighted work. Due to the flexibility of a modified factor-based test, the provision will allow German courts a reasonable amount of discretion. It is important to note that these factors are not exclusive, since the provision explicitly states that the court's decision shall not be limited to these factors.⁹²

The character of the use is important for analyzing whether a use is of high public benefit, which is a prerequisite for the application of the provision.⁹³ By looking at the discussed U.S. decisions, the character of a use is especially important to determine whether a use was transformative or not.⁹⁴ Because tools involving new technologies will in many cases be of transformative nature, the character is of significant relevance for the purposes of the provision.

The amount and substantiality of the use, as well as the effect of the use upon the value of the copyrighted work, are equally important for the court's decision. Only if the proportions of a use can be properly analyzed will there be a clear and fair judgment on whether a use is permissible. Furthermore, this factor can specify how beneficial

⁹¹ See pp. 24-29.

⁹² However, the factors named in the provision are adopted from 17 U.S.C. § 107.

⁹³ See *supra* Part III.A.1 (Subsection 1 of the proposed provision).

⁹⁴ *Perfect 10, Inc. v. Google, Inc.*, 508 F.3d 1146, 1163-64 (9th Cir. 2007); *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 818 (9th Cir. 2002).

a certain use is for the public. It can also weigh in favor of the right holders in cases where their rights deserve more protection than any interest of the public. It is thus an important factor in balancing the rights in question.

The effect on the value of the copyrighted work is of high relevance, since it is one of the main goals of the German Copyright Act to provide a strong protection for exclusive rights. It may also be crucial for the court's determination of a reasonable amount of remuneration.⁹⁵ To reach the desired flexibility, it is not enough to just implement a broad opening provision to the German Code as has been proposed as a solution in European Union Law.⁹⁶ A provision containing factors similar to fair use is more conducive to encompass the desired flexibility.

b. Differences: Adjusting the Provision to the German Legislative Style

The proposed provision has been designed to fit in the current German statutory framework, and thus it was necessary to make adjustments pursuant to the German legislative style. The language of the provision does not provide a systematic enumeration of four factors, but rather names a series of factors that shall be considered on a non-exclusive basis. Since case law in Germany is not based on judicial precedents, such an approach will give the courts a guideline on how to apply the exemption, but will also leave a maintainable amount of discretion.

Open-ended standards are not uncommon within the German legal system. Thus, the provision will fit into the general statutory framework. It will provide flexibility similar to a factor-based test. To narrow its scope and to provide a maintainable amount of legal certainty, subsection 1 of the provision frames a rather high standard as to the applicability of the provision by requiring a high public benefit.⁹⁷ This ensures that only uses that benefit the public will fall within the scope of the provision, thus increasing its predictability. In that sense, a high public benefit should be defined as any situation

⁹⁵ See *supra* Parts III.A.3, III.B.4.

⁹⁶ Leistner, *supra* note 13, at 441-442.

⁹⁷ Although this requirement narrows down the scope of applicability, the interpretation of the term—especially on the question what is to be considered a “high” benefit—has to be left in the discretion of the courts. Any definition by the statute itself would have a contradictory effect on the desired flexibility of the provision.

that establishes more than just an average advantage for an indefinable group of people.

Even though 17 U.S.C. § 107 provided the groundwork for drafting the proposed provision, several changes and adjustments were necessary. First, the proposed provision does not explicitly mention the purpose of the use to be considered. Furthermore, contrary to the proposed draft, the U.S. fair use exception states that the analysis of the first factor should include “whether such use is of commercial nature or is for nonprofit educational purposes.”⁹⁸ The reason for this adjustment is that neither the purpose, nor the commercial nature of a use is of relevance for the general permissibility of a use, since a fair remuneration clause is implemented in subsection 4. The right holder will be compensated. However, in case a use should be of an unusually high commercial value, it will be in the court’s discretion to adjust the remuneration to the economic value of the use.⁹⁹ In this sense, courts will consider the named factors, but they should not be of high relevance for the general permissibility of a use.

Second, the proposed provision does not explicitly name the second factor of 17 U.S.C. § 107. It is a non-formalized principle of German copyright law that as long as a copyright has come into existence, every copyrighted work should be granted the same amount of protection. Although this might not be true for U.S. law with its economic approach to copyrights, the provision has to be adjusted to the German understanding of copyrights. Since German law views copyrights more as natural rights adhered to the person of the creator, due to their intellectual and intangible nature,¹⁰⁰ the justification of a use should not depend on the nature of the copyrighted work.

Third, it is worth mentioning that subsection 2 of the provision explicitly states that the determination on the permissibility of a use should be within the discretion of the court. This, however, seems to be inherent with the scope of the U.S. fair use provision (“... factors to be considered shall include ...”).¹⁰¹ Since German courts are primarily led by the statutes, and thus do not always automatically apply their fullest discretion, a statutory clarification seems necessary.

⁹⁸ See 17 U.S.C. § 107.

⁹⁹ See *supra* Part III.B.4.

¹⁰⁰ Dreier & Schulze, *supra* note 49, § 1, para. 2.

¹⁰¹ 17 U.S.C. § 107.

3. Implementation of a Fair Remuneration Clause

Contrary to 17 U.S.C. § 107, the implementation of a fair remuneration clause in subsection 4 is necessary to meet copyright standards in Germany, and comply with the statutory framework existing so far. In fact, § 11 of the German Copyright Act defines the assurance of reasonable remuneration in case of the use of a copyrighted work as one of its main goals.¹⁰² Contrary to the understanding of copyrights in the U.S., which might focus more on the economic exploitation of copyrights, German law recognizes copyrights as naturally inherent to its creator. There is such a strong connection being formed between the author and the work that, although rights can be licensed, they cannot be fully transferred.¹⁰³ If these highly protected rights are used without the right holder's approval, it only seems reasonable that copyright owners shall be compensated "in exchange" for the use of their work.

Hence, even though the exclusivity of copyrights is an important general principle of copyright laws, German law might be even more protective and favorable to right holders than other legal systems.¹⁰⁴ It is inherent with this approach that the standards for justifying any interference with copyrights—no matter that a copyright owner might even profit from the use¹⁰⁵—are generally very high. Hence, German copyright law basically provides that right holders should be fairly compensated for any uses that are profitable. This standard particularly is expressed in § 31(5) UrhG (*Zweckgeschäftslehre*)¹⁰⁶ and § 11 S. 1 UrhG. It should be considered predominantly for uses that

¹⁰² See § 11 UrhG.

¹⁰³ Dreier & Schulze, *supra* note 49, § 11, para. 3; German law understands copyrights as uniform rights, which grant the author the ideological and personal right in their work, as well as any right in their (commercial) exploitation. A transfer of the entire copyright is as much impossible as the creation of a copyright, e.g. as a work made for hire. Hence, it is the person of the author, i.e. the actual creator of the work, who shall have the absolute and exclusive right of consenting in any particular use.

¹⁰⁴ See generally Dreier & Schulze, *supra* note 49, § 11, para. 1 et seqq.

¹⁰⁵ Advantages might be possible by Google's image search due to the fact that thumbnails of a copyright owner's work in the search result lists are likely to increase the popularity of the copyrighted work. Eventually this can also lead to increased income from sales of those works, if exploited commercially.

¹⁰⁶ Dreier & Schulze, *supra* note 49, § 1, para. 2.

generate benefits for the using party, such as Google's image search.¹⁰⁷ Hence, a remuneration clause has to be required by the proposed provision.

Limitations to copyrights can be embellished in various forms in order to consider public interests. Statutory exemptions can differ between total exceptions from exclusive rights, which permit the use of a copyrighted work without consent and do not require any compensation payments, to statutory licenses, which do not require the right holder's permission, but instead grant them a claim for adequate remuneration.¹⁰⁸ In fact, the German legislature made use of the latter option in most of the cases when specific limitations to copyrights became necessary.

Rather than granting a total exception or individual compulsory licenses, the proposed provision embodies a statutory license to fairly balance the interest of the third party user and the right holder. Particularly, statutory licenses make sense when the individual negotiation of a fair and adequate remuneration would not be practical and would apply in too many different cases.¹⁰⁹ It is obvious that especially cases involving the Internet and modern technologies would have an effect on an enormous amount of different Internet users. For example, Google's image search function had an index of over ten billion images as of the year 2010.¹¹⁰ Thus, copyright related issues are subject to so many cases that it would simply not be practical that a company like Google had to license its use for a negotiated remuneration with every single copyright owner affected. Thus, a statutory license is the best way to consider all interests of the parties involved.

Through the application of the general standards set out in § 32 UrhG, the remuneration shall be adequate (*angemessen*). A fixed amount cannot be set down in the statute itself,¹¹¹ since such a statutorily fixed fee would not be consistent with other statutory licensing provisions and would take away the possibility of properly

¹⁰⁷ See *supra* Part II.C.3.

¹⁰⁸ Dreier & Schulze, *supra* note 49, Vor § 44a, para. 11; Dreier, *supra* note 55, at 51, para 4.

¹⁰⁹ Dreier & Schulze, *supra* note 49, Vor § 44a, para. 14.

¹¹⁰ Nate Smith, *Ooh! Ahh! Google Images Presents a nicer way to surf the visual web*, Google: Official Blog (July 20, 2010), <http://googleblog.blogspot.com/2010/07/ooh-ahh-google-images-presents-nicer.html> (last visited March 8, 2013).

¹¹¹ Like it is e.g. provided for compulsory licenses in the music industry in the U.S.

evaluating each individual case. Since a contractual relationship between the user and the copyright owner will not exist, an accordant application of § 32(1) S. 2 UrhG has been included in the draft.¹¹² This subsection of § 32 UrhG states that in cases where no remuneration has been negotiated contractually, the compensation has to be adequate.¹¹³

The amount of compensation can vary depending on different factors, including the factors named in subsection 3 of the provision. Factors to be considered may be the amount and substantiality of the use, the (potential) effect on the market of the rights owner, as well as the purpose and character of the use. The fact that the calculation is being made within the discretion of the court ensures a flexible and reasonable determination, as well as the adaption of the circumstances of the individual case. Hence, the commercial nature of a use, for example, would increase the amount of remuneration, and the transformative nature of a particular use could minimize the amount of remuneration. Furthermore, it is still within the court's discretion to refrain from granting a remuneration claim, should it not seem reasonable in the particular case.

Since in many cases the right holders could not enforce the collection of the fees, the remuneration shall be collected by a collecting society. With such a system, it is not only easier for the copyright owners to actually receive the remuneration, but it also will strengthen the copyright owner's position compared to companies with strong market positions, such as Google.¹¹⁴ Especially given the increasing use of information technologies, it will increasingly be the task of collecting societies to strengthen the position of copyright owners.¹¹⁵

B. Advantages of an Approach Based on Fair Use

The proposal is meant to deliver a provision, which implements the discussed advantages of U.S. fair use, but at the same time fits in

¹¹² See § 32 (1) UrhG.

¹¹³ See generally Artur-Axel Wandtke & Winfried Bullinger, *Praxiskommentar zum Urheberrecht* [Practical commentary for Copyright Law], Vor § 44a, para 10 et seqq., (2009) [Ger].

¹¹⁴ See Dreier & Schulze, *supra* note 49, Vor § 44a, para. 14.

¹¹⁵ Wandtke & Bullinger, *supra* note 113, para. 12.

the current German statutory framework. Particularly, the field of IP needs to face today's fast technological developments. In this sense, it has been shown that the many of the German exemptions are too inflexible and not up-to-date.¹¹⁶ The proposal hence combines the advantages of both approaches in Germany and the U.S.

1. Adjustment of the Provision to the German Statutory Framework

While drafting an open-ended standard, the advantages of 17 U.S.C. § 107 have been considered and implemented in the proposed German provision.¹¹⁷ However, due to the far-ranging differences between the U.S. common law legal system and the German civil law legal system, the mere import of the U.S. fair use provision into the German code would not be possible. Various adjustments to the proposed provision have been necessary to prevent the implementation of "fair use" in Germany that might lead to a legal irritation.¹¹⁸ Therefore, the provision has been carefully drafted in a style compatible with the current German statute. It thus provides a unique solution combining both approaches to one advantageous defense mechanism to infringement claims.

The open-ended character of the proposed provision was based on the U.S. doctrine of fair use and the four-factor test. The wording was adjusted to the exemptions already existing in Sections 44a-63 UrhG. As an open-ended standard, the provision can be applied to numerous advances in evolving technologies and defend beneficial uses. The requirement in subsection 1 prevents an overly broad application of the provision.¹¹⁹ The described consistency with the German statute ensures that the provision can develop to its fullest effectiveness.

2. Flexibility vs. Legal Certainty

The proposed provision is meant to loosen up the narrow, exhaustive catalogue of exemptions in German copyright law and at the same time provide a reasonable amount of legal certainty. Since

¹¹⁶ See also Hoeren, *supra* note 13.

¹¹⁷ See *supra* Part III.A.2.a.

¹¹⁸ See *supra* Part III.A.2-3; see generally Gunther Teubner, *Legal Irritants: Good Faith in British Law or How Unifying Law Ends Up in New Divergences*, MLR (1998)[GB].

¹¹⁹ See *supra* Part III.A.2.b.

new and innovative, yet not foreseeable technologies¹²⁰ will be developed in the near future, flexible exemptions are necessary to capture today's technological process. The current German statute does not provide such flexibility.¹²¹

On the other hand it is well established that one of the big disadvantages of the broad U.S. fair use provision is its lack of legal certainty, meaning that the outcome of a case might not be predictable, and thus could cause high risks for the parties involved.¹²² In fact, it has mainly been this lack of legal certainty which has been the reason for the rejection of the implementation of a fair use model in Europe.¹²³ Even though some have argued that due to the U.S. courts' systematic application of the four-factor test such a model would actually not lead to a situation of complete legal uncertainty,¹²⁴ this question does not even arise for the proposed provision.

In fact, the provision balances flexibility and legal certainty to a maintainable amount. Since the courts are provided with the possibility of a discretionary decision (subsection 2) in applying factors, such as named in subsection 3 of the provision, courts will have a more flexible defense mechanism tool than currently provided by the German statute. At the same time, subsection 1 narrows down the scope by setting a high standard¹²⁵ for the general applicability of the provision. Consequently, this will result in a provisional scope that is not broad enough to endanger collapsing the existing system. Thus, the requirement of a highly beneficial use will increase the amount of legal certainty in comparison to the U.S. fair use provision. Due to the tightened scope, as well as its compliance with the existing statutory framework, the provision is consistent with the rule of legal certainty embodied in Art. 20 of the German Constitution.¹²⁶ Part of the compromise is that a certain amount of legal certainty will be lost due

¹²⁰ As one probably did not imagine Internet and image search issues to come up 20 years ago.

¹²¹ See B.

¹²² See STANFORD COPYRIGHT & FAIR USE – MEASURING FAIR USE: THE FOUR FACTORS, *supra* note 27.

¹²³ Leistner, *supra* note 13, at 436.

¹²⁴ See Leistner, *supra* note 13, at 436; Metzger, *supra* note 76, 1, 24.

¹²⁵ See *supra* Part III.A.2.b.

¹²⁶ See Art. 20(3) GG.

to the new flexibility. However, a flexible open-ended standard as proposed will lead to even more predictability than there is now, since makeshift solutions will not be necessary anymore.¹²⁷

A discretionary, flexible applicability is essential. If the scope of the new provision is too narrow, this would lead to enactments of new specific national exemption provisions necessary in the future. Thus, consistently there would be transitional phases where the statute would not be able to deal with a newly arisen issue. Again, this would cause legal uncertainty. Hence, it is the broad character of the provision, which leads to the desired flexibility, but will stabilize the system at the same time. The proposed compromise between flexibility and legal certainty will ensure the compliance with the principles of German copyright law in the long run,¹²⁸ as well as a predictable legal groundwork.

3. Application Through Case-by-Case-Analysis

German courts will be able to handle a discretionary application of the provision and will be able to regulate its scope on a case-by-case basis. In fact, a discretionary interpretation of the statute by the courts is inherent to the application of German copyright law.¹²⁹ Since the actual language of the statute is primarily authoritative,¹³⁰ subsection 2 explicitly formulates the principle that courts have to use their discretion. Since the provision is rather broad in scope, compared to the existing exemptions, courts will be able to narrow it depending on the individual case.

The development of certain standards within the case law of the Federal Court of Justice based on the provision might be beneficial, but the proposed phrasing of the provision does not require established judicial doctrines. Standards developed by the Federal Court of Justice would guarantee flexibility on the one hand, but also further increase predictability and lead to even more legal certainty. U.S. courts have similarly developed a systematic approach on the four-factor test. Once a set of case law on a particular issue has been established, the outcome of a case based on similar facts might be

¹²⁷ See *supra* Part II.C.1.

¹²⁸ See *supra* Part II.B.1, II.C.2.

¹²⁹ Dreier & Schulze, *supra* note 49, § 1, para. 9.

¹³⁰ *Id.*

more predictable.¹³¹ However, a discretionary application on a case-by-case basis ensures the applicability of the provision to future issues.

4. *Application to the 2010 Decision of the Federal Court of Justice*

In applying the provision, the Court would have held that Google infringed the copyright of the plaintiff pursuant to § 19a UrhG by publicizing the thumbnails, but its use would have been permissible and Google would have had to pay an adequate remuneration to the plaintiff.

According to subsection 1, a third party's use of a copyrighted work is permissible only if the use is highly beneficial to the public. Google Image Search indeed provides such a great benefit for Internet users and the broad public.¹³² This is particularly true because Internet search technologies help to find and present material on the Internet and improves accessibility on behalf of the consuming public. It is thus a highly beneficial tool.

According to subsection 2, the decision of whether the use was permissible or not would have been within the discretion of the court, and the application of the implied consent doctrine would have been unnecessary. The court would especially have had considered the three factors of subsection 3, although this analysis would not have been limited to these three factors. It would potentially have found that the character of the use was transformative, similar to the reasoning of the Ninth Circuit in *Perfect 10, Inc. v. Google*¹³³ and *Kelly v. Arriba Soft, Corp.*¹³⁴ The fact that the use was highly transformative and that Google's use leads to the high public benefit of being necessary to find material on the Internet¹³⁵ would have had to be weighed in favor of Google.

Although the amount and substantiality of the use by Internet search engines is quite high due to the global accessibility of

¹³¹ Even though it is true that the outcome of a new case is not predictable and thus, quite uncertain at first; *See supra* Part III.B.2; Leistner, *supra* note 13, at 436.

¹³² *See supra* Part II.

¹³³ *Perfect 10, Inc. v. Google, Inc.*, 508 F.3d 1146 (9th Cir. 2007).

¹³⁴ *Kelly v. Arriba Soft, Corp.*, 336 F.3d 811 (9th Cir. 2003).

¹³⁵ It would also have been considered that in some cases even rights owners would be able to benefit from the publication of thumbnails of their works.

thumbnails and the fast and easy way to conduct a search, the transformative character of the use in these cases would have weighed in favor of Google. Furthermore, the effect on the value of the copyrighted work in the case at hand was not tremendously high. It would have hardly been possible to prove any economic damage on the plaintiff's side, since—contrary to *Perfect 10*—the plaintiff did not offer any size-reduced images for sale herself.¹³⁶ The ideological and intangible interest in not allowing any alteration and thus preventing any misappropriation of the work would weigh in favor of the plaintiff. Even though these interests are of high importance in German copyright law, they would have had to stand back compared to the higher interests of the public in benefiting from an extensive image search.¹³⁷

According to subsection 4, granting adequate remuneration would have been in the court's discretion by applying § 32(1) S. 2 UrhG. The fact that German courts traditionally are rather restrictive in applying exemption clauses and granting compensation or damages would have prevented an overbroad application of the provision. Within the meaning of this provision, the remuneration is adequate usually if it is common and fair.¹³⁸ Since Google's use was transformative, a one-time payment of approximately EUR 10.00 for Google's use would probably have been adequate and appropriate.

IV. CRITICISMS ON A BROAD GERMAN EXEMPTION PROVISION

Because this proposal rejects the approach of the highest Court capable of deciding matters of copyright law in Germany and does not comply with former EU proposals, critics might object that it is not compatible with the current approach on copyright exemptions taken in Europe. Potential main criticisms shall be addressed in the following part of the article.

¹³⁶ *Perfect 10*, 508 F.3d at 1146.

¹³⁷ See *supra* Part III.A.3.

¹³⁸ Thomas Fuchs, *Die angemessene Vergütung des Urhebers* [The Adequate Remuneration of the Author], p. 2 et seq., available at <http://delegibus.com/2005,1.pdf> (last visited on January 28, 2013) [Ger].

A. National Provision vs. EU Harmonization

Contrary to what has been proposed by legal scholars in the past,¹³⁹ this article suggests the implementation of an exemption clause in German copyright law and does not favor a European model. This might sound incomprehensible given the ongoing harmonization process all over the continent. However, a harmonized European provision cannot yet be recommended.

Particularly the widely failed implementation of the Directive 2001/29/EC shows that it is too early for a European Union-wide harmonization of limitations to copyright.¹⁴⁰ However, it has been shown¹⁴¹ that it is time for a German solution now. To ensure a flexible statute and stable groundwork, Germany should not wait until a solution can be established on the European level. An amendment to German copyright law could set an example for other countries, and demonstrate how to keep up with the times when it comes to copyright issues relating to modern technologies.

There have been statements in the past that a factor-based fair use provision would not be compatible with the current jurisdiction of the Court of Justice of the European Union (CJEU).¹⁴² By implementing just a German provision, this problem does not occur. In contrast to the CJEU,¹⁴³ Germany's Federal Court of Justice does not apply common law rules in a general sense. The reasoning of the Court is very detailed and well grounded. It is still a civil law court embedded in a civil law system, but the structure of its case analysis often does not seem to be much different to that of common law courts. At the least, the reasoning of German courts is more comparable to courts

¹³⁹ First and foremost Leistner, *supra* note 13, at 440.

¹⁴⁰ For the Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, see EUR-Lex – 32001L0029 – EN, available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32001L0029:EN:HTML> (last visited on March 8, 2013). See also Dreier, *supra* note 55, at 52, para. 7: only one of the 21 limitations on European Copyright Law has been mandatory, all other exemptions eventually could be applied at the discretion of the member states.

¹⁴¹ See *supra* Part II.

¹⁴² Leistner, *supra* note 13, at 438.

¹⁴³ *Id.* at 437.

operating in common law jurisdictions like the U.S. than the jurisprudence of the CJEU.¹⁴⁴ The CJEU's case law on the contrary reflects a mixture of common and civil law principles. This mixture might lead to more difficulties for handling a broad fair use provision,¹⁴⁵ whereas German courts could rely on the provision, which explicitly orders their discretion.

The proposed "legal transplant"¹⁴⁶ of creating a broad civil law styled "fair use" provision will at present be more effective if implemented in German, rather than European Union law. It is agreed that a broad fair use provision similar to 17 U.S.C. § 107 would not be consistent with the CJEU's current case law.¹⁴⁷ Just a "careful opening" of the catalogue of exceptions at the "European level,"¹⁴⁸ however, does seem unable to sufficiently ensure the flexible applicability desired. It is one of the goals of comparative law that legal development in Europe takes account of the different common law jurisdictions all over the world.¹⁴⁹ It seems that European copyright law cannot reach that goal yet, but German law can. Thus, it may be said that an EU-wide harmonization on the matter could be a highly beneficial process, but only if the time is ripe.

B. Necessity of a Remuneration Clause

The main reason for the implementation of a fair remuneration clause is the insurance of a reasonable balance of interests and the protection of the exclusive rights of the right holders.¹⁵⁰ Potentially, it might be questioned if the payment of fair remuneration is even necessary or if this might have a serious impact on the end user or the public.

¹⁴⁴ See also *supra* Part III.B.3.

¹⁴⁵ Leistner, *supra* note 13, at 437.

¹⁴⁶ As to the term see Alan Watson, *LEGAL TRANSPLANTS*, Georgia: University of Georgia 1993.

¹⁴⁷ Leistner, *supra* note 13, at 441.

¹⁴⁸ *Id.*

¹⁴⁹ Ingeborg Schwenzer in MATHIAS REIMANN & REINHARD ZIMMERMANN, *THE OXFORD HANDBOOK OF COMPARATIVE LAW, DEVELOPMENT OF COMPARATIVE LAW IN GERMANY, SWITZERLAND AND AUSTRIA* 69, 104 (2008).

¹⁵⁰ See *supra* Part III.A.3.

It should be noted, however, that if compensation seems unreasonable in a particular case, the provision leaves it within the courts' discretion to decline any such claim. In fact, German courts traditionally do not overdraw the line for granting compensation claims or damages, but act rather carefully in that sense. Moreover, the German legal system does not recognize class actions, so an aggrieved rights holder would have to litigate potential claims on his own. In cases of small claims, the likelihood that all rights holders would claim their remuneration is rather low, since costs for any legal action have to be paid in advance. Still, any rights holder has the opportunity to claim his or her rights. Due to the fact that the provision provides increased legal certainty compared to U.S. fair use, the outcome might be predictable in a high number of cases. Given these circumstances, there is no need for concern that a company like Google would fail because of extensive remuneration payments, or eventually start to charge its users for its service.

The introduction of fixed set fees for Internet accesses equally distributed to the rights holders is not yet a practical option. It is the ongoing policy of the collecting society for visual arts in Germany (*VG Bild-Kunst*) to treat issues involving the Internet equally with those arising in the analog world.¹⁵¹ A fixed percentage fee of the revenue might be easier to administer, but is not able to consider which remuneration is adequate in the individual case.¹⁵² Since the individualized consideration on this matter is of great significance, a standardized administrative process would not be compatible with the approach of German copyright law.

C. Consistency with the Three- Step Test of Article 13 of the TRIPS Agreement

The proposed provision is consistent with the three-step test incorporated in Article 13 of the TRIPS Agreement.¹⁵³ The first international three-step test actually has been implemented in Art.

¹⁵¹ Bild-Urheberrechte im Internet [Copyrights in Images on the Internet], available at http://www.bildkunst.de/html/body_bildurheberrechte.html (last visited March 8, 2013)[Ger].

¹⁵² See § 32 UrhG.

¹⁵³ As to the language and requirements, see Article 13 of the TRIPS Agreement.

9(2) of the Berne Convention¹⁵⁴ and originated from a proposal of the UK as a common law country.¹⁵⁵ It is rightly argued that there actually can be shown a connection between the three-step test and fair use provisions, such as the one in the U.S.¹⁵⁶ It should not be doubted that 17 U.S.C. § 107 is consistent with the already rather broad standard of the three-step test. In particular, it is not to question that a broad fair use provision applies to “certain special cases.” In fact, within a report on 17 U.S.C. § 110(5),¹⁵⁷ the WTO panel confirmed the consistency of domestic fair use provisions with the international three-step test.¹⁵⁸

In this sense it should also be considered that the primary purpose of the three-step test is to prevent the excessive application of exemptions and should leave enough room for serving domestic needs.¹⁵⁹ Given the circumstances and the fact that the scope of the proposed provision has been created to be even more narrow and protective for the rights holder than U.S. fair use, the proposed provision’s consistency with Art. 13 of the TRIPS Agreement should not be questioned.

V. CONCLUSION

A civil law styled open-ended standard based on U.S. fair use could increase the flexibility of Germany’s current copyright statute and provide a maintainable amount of legal certainty consistent with international obligations. Soon there might be new, unforeseen

¹⁵⁴ The language provided by Article 9(2) of the Berne Convention is very similar. Article 1 to 21 of the Berne Convention are incorporated by Article 9 of the TRIPS Agreement and thus also mandatory for WTO member states.

¹⁵⁵ Bernt Hugenholtz & Martin R.F. Senftleben, *Fair Use in Europe. In Search of Flexibilities*, 1, 21, available at <http://www.ivir.nl/publications/hughenholtz/Fair%20Use%20Report%20PUB.pdf> (last visited on March 8, 2013).

¹⁵⁶ *Id.*

¹⁵⁷ See generally World Trade Organization, Request for the Establishment of a Panel by the European Communities and their Member States, WT/DS160/R (Apr. 15, 1999); WTO Document WT/DS160/R, para. 6.108, available at <http://www.wto.org> (last visited on March 8, 2013).

¹⁵⁸ See Senftleben, *supra* note 87, para. 52.

¹⁵⁹ CHRISTOPHE GEIGER, ET AL., DECLARATION: A BALANCED INTERPRETATION OF THE “THREE STEP TEST” IN COPYRIGHT LAW 1, available at <http://www.jipitec.eu/issues/jipitec-1-2-2010/2621/Declaration-Balanced-Interpretation-Of-The-Three-Step-Test.pdf> (last visited on March 8, 2013).

technologies providing high public benefit, which the implied consent doctrine of Germany's Federal Court of Justice will be unable to handle. The need for adopting legal theories derived from general civil law clearly shows that the German status quo cannot be the bottom line of how to address issues involving new technologies and the evolving field of the Internet. Hence, the implied consent approach might be at best a temporarily valid answer¹⁶⁰ to the thumbnail dilemma, but such a makeshift solution cannot embrace the long-term purposes of German copyright law.

¹⁶⁰ See also Spindler, *supra* note 70, at 791; Leistner, *supra* note 13, at 430.

